

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 25th day of May, 2007 (Effective Date), by and between First Federal Savings and Loan Association of Greensburg, Greensburg, Indiana, OTS Docket No. 04656 (Association), a federally chartered mutual savings and loan association, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director). It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. §§ 1818(b)(1) and (i)(2).¹

WHEREAS, the OTS is the primary federal regulator of the Association;

WHEREAS, based upon the December 4, 2006 Report of Examination (2006 Examination), the OTS is of the opinion that the Association has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject; and (ii) are considered to be unsafe and unsound;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Association;

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (Board), wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

Compliance With Laws, Regulations & Safe and Sound Practices

1. The Association, its directors, officers, employees, and agents, shall take all necessary and appropriate actions to comply with the following laws, regulations, and safe and sound business practices:
 - a. 12 C.F.R. Part 202 (Equal Credit Opportunity Act);
 - b. 12 C.F.R. Part 226 (Truth-in-Lending Act);
 - c. 12 C.F.R. Section 560.35 (Adjustments to home loans);
 - d. 12 C.F.R. Section 560.101 (Real estate lending standards);

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- e. The Appendix to 12 C.F.R. Section 560.101 (Interagency Guidelines for Real Estate Lending Policies);
- f. 12 C.F.R. Part 572 (Loans in areas having special flood hazards); and
- g. OTS Thrift Bulletin (TB) 72a (Interagency Guidance on High Loan-to-Value (LTV) Residential Real Estate Lending).

Operations

Strategic Plan

- 2. Within 90 days of the Effective Date, the Board shall develop and submit to the Regional Director for review and non-objection, a plan to address all aspects of balance sheet and income statement management (Strategic Plan). The Strategic Plan should include, but not be limited to:
 - a. Pro forma financial statements, including a balance sheet, income statement, and regulatory capital projections for a three-year period.
 - b. A narrative regarding any growth strategies, including growth and capitalization limitations and targets;
 - c. Overall funding and liquidity management strategies that address:
 - i. Investment and liquidity targets and standards;
 - ii. Procedures which enable the Board and management to monitor the Association's liquidity position and maintain liquidity at an adequate level;
 - iii. An analysis of the continuing availability and volatility of present funding sources; and
 - iv. Guidelines concerning the nature, extent, and purpose of the Association's use of jumbo deposits consistent with the Association's overall funds management strategies.
 - d. Management of the Association's interest rate risk that addresses:
 - i. The Association's current sensitivity position and details the strategies to be utilized to reduce interest rate risk;
 - ii. Guidelines regarding the desired maturity structure for different categories of assets and liabilities. This should also include a discussion regarding when it is appropriate to match the maturities of specific assets and liabilities; and
 - iii. A discussion on the pricing strategies for rate sensitive assets and liabilities and procedures for deviating from established rates.

- e. The quarterly review of the Association’s adherence to the Liquidity, Investment and Interest Rate Risk policies; and
 - f. The establishment of adequate management reports on which to base sound funds management decisions.
3. After review and non-objection by the Regional Director, the Board shall immediately adopt and adhere to the Strategic Plan in all material respects. Any material changes to the Strategic Plan will require the prior written approval of the Regional Director.
 4. The Board shall review and document the Association’s compliance with the Strategic Plan at least once each calendar quarter. The review and documentation shall include an explanation of any significant variances from the quarterly projections. A copy of the Board’s documentation of this review shall be submitted to the Regional Director within 30 calendar days following each review.

Management

Board Approved Policies

5. The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to its approved policies, procedures and programs. The Board shall enhance its monitoring and reporting requirements in order to identify and highlight violations of approved policies, procedures, and programs and mandate corrective actions. Any violations of approved policies, procedures, and programs shall be documented in Board reports, detailing the reason for the violation and intended action and timeframe to correct the violation or necessity to review limitations due to changing strategies or priorities.

Asset Quality

High Loan-to-Value Lending

6. Within 60 days of the Effective Date, the Board shall develop, adopt, and implement policies and procedures that will ensure the Association's compliance with the supervisory loan-to-value capital limits set forth in 12 C.F.R. Section 560.101, Appendix A, and TB 72a.

Allowances for Loan and Lease Losses (ALLL)

7. Within 60 days of the Effective Date, the Board shall develop and adopt an ALLL Policy that details the methodology used to assure an adequate level of loan loss reserves is maintained.

Classification of Assets Policy

8. Within 30 days of the Effective Date, the Board shall revise its Classifications of Assets Policy to provide for the review of non-homogeneous loans based on a borrower's aggregate debt to the Association.

Compliance

Compliance Program

9. The Board shall maintain a Compliance Program, designed to ensure the Association is operating in compliance with nondiscrimination, consumer protection, and other public interest laws and regulations.
10. Within 45 days of the Effective Date, the Compliance Program shall be amended to address the necessary enhancements noted in the 2006 Examination. If any weaknesses are noted in subsequent examinations, the Board, within 45 days of receipt of the Report of Examination, shall amend the Compliance Program to address those weaknesses. The Compliance Program shall also include, but not necessarily be limited to, the following:
 - a. Mechanisms for effective Board oversight, which shall include, at a minimum, quarterly regulatory compliance reports presented to the Board by the Compliance Officer or Compliance Committee, with appropriate documentation of such in the Board minutes. These reports shall include the results of each compliance assessment, management's response, corrective action necessary and appropriate follow-up to ensure corrective action is successful;
 - b. Provide for the establishment and approval of an annual risk based compliance assessment schedule and ensure that appropriate time and resources are available to complete the scheduled assessments; and
 - c. A formalized training program for all employees and directors on compliance issues.
11. Once the Board has amended the Compliance Program, the Association shall adhere to it in all material respects.

Bank Secrecy Act (BSA)

12. The Board shall maintain a BSA Program, which incorporates procedures to review the Association's compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. § 5311 et seq., 31 C.F.R. Part 103 and 12 C.F.R. § 563.177 (BSA Policy), 31 C.F.R. Part 500 (Office of Foreign Asset Control (OFAC)), 31 C.F.R. § 103.121 (Customer Identification Program), 31 C.F.R. § 103.100 (Reporting to the Financial Crimes Enforcement Network (FinCEN)), and 12 C.F.R. § 563.180(d) (Suspicious Activity Reports).
13. Within 45 days of the Effective Date, the BSA Program shall be amended to address the review process for the appropriateness of filing Currency Transaction Reports and Suspicious Activity Reports.

Flood Insurance

14. Within 60 days of the Effective Date, the Board shall develop, adopt, and implement procedures to ensure that:
 - a. Adequate flood insurance is obtained and maintained on all properties within special flood hazard areas; and
 - b. Flood determinations are obtained on all residential and commercial property mortgage loans.

Adjustable Rate Mortgage Loan Adjustments

15. Within 60 days of the Effective Date, the Board shall develop, adopt, and implement procedures to ensure that for adjustable rate mortgages:
 - a. Indices and interest rate caps are accurately entered into the Association's data system; and
 - b. Periodic rate changes are made in accordance with the note.

Operating Restrictions

Directors and Senior Executive Officers

16. The Association must file a notice with the Regional Director prior to adding or replacing a director or hiring a senior executive officer or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive position (12 C.F.R. § 563.560(a)(1)(ii)).

Golden Parachute Payments

17. The Association is prohibited from making any golden parachute payments to any Association-affiliated party, unless the payment is otherwise permitted by regulation (12 C.F.R. Part 359).

Other

Termination of Outstanding Board Resolution

18. The Board Resolution dated July 14, 2005 may be terminated on or after the Effective Date of this Agreement.

General

Director Responsibility

19. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

Compliance with Agreement

20. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.
21. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement.

Miscellaneous

Definitions

22. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

23. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Notices

24. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:
 - a. The OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Deputy Director Daniel T. McKee, Office of Thrift Supervision, Department of the Treasury, 1 South Wacker Drive, Suite 2000, Chicago, Illinois, 60606, or telecopied to (312) 917-5002 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
 - b. The Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Association at 212 N. Franklin Street, Greensburg, Indiana, 47240, or telecopied to (812) 663-6796 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

Duration, Termination or Suspension of Agreement

25. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
26. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

27. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

Effect of Headings

28. The Section headings herein are for convenience only and shall not affect the construction hereof.

Separability Clause

29. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

30. Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

31. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Signature of Directors

32. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Association.

Integration Clause

33. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

Enforceability of Agreement

34. The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

Counterparts

35. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

Remainder of this page intentionally left blank.

